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FISCAL IMPACT STATEMENT

LS 6652 | **NOTE PREPARED:** Jan 9, 2013
BILL NUMBER: SB 526 | **BILL AMENDED:**

SUBJECT: PERF Membership and Retirement Benefits.

FIRST AUTHOR: Sen. Boots | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X** **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: The bill provides the following:
(1) After December 31, 2012, members and full-time employees of the State Lottery Commission are members of the Public Employees' Retirement Fund (PERF).
(2) A member of PERF who retires after July 1, 2013, and is reemployed in a position covered by PERF continues to receive a retirement benefit, but does not earn a supplemental retirement benefit for the member's period of reemployment. (Currently, a member of the Indiana State Teachers' Retirement Fund (TRF) who retires and is reemployed in a position covered by TRF continues to receive a retirement benefit, but does not earn a supplemental retirement benefit for the member's period of reemployment.)

Effective Date: January 1, 2013 (retroactive); July 1, 2013.

Explanation of State Expenditures: The bill would affect the Indiana Public Retirement System (INPRS) and the State Lottery Commission. Information from INPRS and the State Lottery Commission is not available at this time regarding the costs associated with the provisions in this bill. LSA will update this analysis at such time as the necessary actuarial information is made available.

The State Lottery Commission has its own pension plan, which as of July 1, 2012, had an unfunded accrued liability of $3 M and a funding ratio of 80.1%. This bill will require current and future employees of the State Lottery Commission to become members of PERF. Not later than January 1, 2014, the present value of the retirement benefit payable at the plan's normal retirement age that is attributable to each participant in the Lottery Commission's defined benefit retirement plan will be transferred to PERF, as will each employee's annuity savings account amount..

Background: PERF (State) - PERF is prefunded by employer contributions that are actuarially calculated to equal the benefit accrual cost for the year (normal cost) plus a 30-year amortization of the unfunded accrued benefit liability. As of July 1, 2012, employer contributions for state PERF were 9.7% of payroll.

For prefunded plans, costs are defined as the increase in the unfunded actuarial liability of the fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: INPRS, State Lottery Commission.

Local Agencies Affected: Indiana Public Retirement System; Indiana State Lottery Commission.

Information Sources: State Lottery Commission of Indiana Financial Statements as of and for the years ended June 30, 2012, and 2011.

Fiscal Analyst: Stephanie Wells, 232-9866.

Definitions: *Unfunded Actuarial Liability* -Sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Funding Ratio - A ratio of a pension or annuity's assets to its liabilities.